

## What is a pawn transaction?

A pawn is a collateral loan. Pawnbrokers lend money on items of value ranging from gold and diamond jewelry to musical instruments, televisions, electronics, tools and equipment, firearms, and more. The amount of the loan is based on the value of the collateral.

Pawn loans are small-dollar safety net loans. Pawn customers tend to borrow only what they need, as evidenced by the relatively low national average amount of \$150 for about 30 days.

The interest charged as well as the term can vary from one state to the next. During the pawn transaction, customers receive a written explanation, called a pawn ticket, that explains the details including the interest amount, how long the customer has to pay back the loan, and more.

Most customers, about 85% on average nationally, redeem their loans and simply pick up the item from the pawnshop once they've repaid what they owe.

Pawn loans are non-recourse. If the customer does not redeem their loan, it has no impact on their credit score. Rather, the item is forfeited to the pawnbroker who then sells it in their shop, usually at a deeply discounted price when compared to retail value.

# Pawn Facts



- During the market disruptions brought about by the **COVID-19 pandemic**, most of our members report seeing customers redeem existing loans. For many, sales increased, particularly of items that would be necessary during stay-home orders (computers, televisions, electronics, tools and DIY equipment) while the volume of loan transactions decreased.
- Pawn transactions are the oldest form of regulated consumer credit and are **governed by 15 federal statutes and regulations as well as numerous state and local laws.**
- Nationwide, there are approximately **10,000 pawn stores**, most of which are family-owned small businesses. They **employ around 35,000** individuals and **contribute about \$3 Billion to the US economy.** [Source: US Census Bureau 2018 NAICS Code 522298]
- Pawn stores are neighborhood financial institutions annually **serving more than 30 million consumers nationwide.**
- According to the FDIC in 2017, 6.5 percent of U.S. households were "unbanked," meaning that no one in the household had a checking or savings account. An additional 18.7 percent of U.S. households were "underbanked", meaning that the household had an account but also obtained financial products or services outside of the banking system. **For these individuals, nearly 39 million people, pawnshops are an important lending option for their short-term cash needs.**
- Pawnbrokers' customer identification programs mandated by state and local laws are more comprehensive than the USA PATRIOT Act requires. **Our nationwide estimate of property ownership disputes is consistently less than 1/2 of 1%.**
- **Many pawnbrokers are also Firearms Dealers.** For talking points regarding firearms law and compliance, visit [NSSE: The Firearm Industry Trade Association's Media Center](#)